

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

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**Community State Bank,**  
Petitioner-Appellant,

v.

**Cedar County Board of Review,**  
Respondent-Appellee.

**ORDER**

**Docket No. 11-16-0003**  
**Parcel No. 0500-13-06-376-008-0**

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On February 3, 2012, the above-captioned appeal came on for consideration before the Iowa Property Assessment Appeal Board under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Petitioner-Appellant Community State Bank was represented by Eric Newton, President of Community State Bank in Tipton, Iowa. It submitted evidence in support of its petition. The Cedar County Board of Review designated County Attorney Jeffrey L. Renader as its counsel. The Appeal Board now having reviewed the record and being fully advised, finds:

***Findings of Fact***

Community State Bank (CSB), owner of property located at 801 W Main Street, West Branch, Iowa, appeals from the Cedar County Board of Review decision reassessing its property. The real estate was classified commercial for the January 1, 2011, assessment and valued at \$864,760; representing \$76,450 in land value and \$788,310 in improvement value. CSB's protest form to the Board of Review stated, "please see attached" in the area reserved for an equity claim; however, the attachment clearly shows CSB was protesting on the ground that the property was assessed for more than authorized by law under Iowa Code section 441.37(1)(b). The Board of Review granted the protest, in part, and reduced the total assessment to \$803,490 by changing the grade from 3 to 3-10.

CSB then appealed to this Board on the same ground. It values the property at \$650,000. It feels the current assessed value is still too high given "today's distressed commercial real estate market." Further, it feels the 27% increase from the previous assessment of \$679,810 is simply not justified.

The subject property is a 4437 square-foot, one-story, brick/stone bank built in 1999. It has offices and a lobby on the main floor, with a finished community room and kitchen in the basement. The building's full basement has 3645 square feet of average finish, a 120 square-foot canopy, a 480 square-foot portico, a 110 square-foot patio/porch, a vault, yard lighting, and a hydraulic elevator. The improvements are in normal condition and have 12% physical depreciation. It is located on a 0.612 acre site with 13,200 square feet of concrete paving with curbing.

George R. Davis and Stacy Frese Huber of Appraisal Resources Company in Cedar Rapids, Iowa, completed a restricted appraisal report on behalf of CSB. The appraisal has an effective date of March 14, 2011. They valued the subject property at \$650,000 by developing the income and sales approaches to value. The appraisers did not consider the cost approach in the value conclusions due to the scope of work requested by the client. They go on to state, in their opinion, this type of property would typically be purchased based on the income and sales comparison approaches to value rendering the cost approach less meaningful. They note the property is a corner lot on the west edge of West Branch, is well-maintained and updated, and in good condition.

Davis and Huber considered the sales comparison approach to be a reliable indication of market value. Five sales were used in the analysis, although the report indicates two of the sales were used to set the upper and lower value limits. Sale One, a 2140 square-foot brick and vinyl siding, office building on a 0.226 acre site in Vinton built in 1992, set the lower value limit. It sold in January 2009 for \$204,000, or \$95.33 per square foot. It does not have a basement and upward adjustments would be needed for age and inferior quality. Sale Two is a 2781 square-foot office building on a 1.003 acre

site in Robins built in 1998. It has a slab foundation. The property sold in July 2010 for \$295,500, or \$106.26 per square foot. Sale Three is a 6469 square-foot daycare facility built to tenant specifications on a 1.00 acre site, in good condition, built in 2007, and located in Marion, a sister-city to Cedar Rapids. It sold in May 2010 for \$996,500, or \$154.04 per square foot. Sale Four is a 1938 square-foot, condominium-office building on a 0.326 acre site, built in 1993, and located in Iowa City, a superior location. It sold in September 2010 for \$335,000, or \$172.86 per square foot. Sale Five, a 6744 square foot bank building located in Grinnell, a superior location, built in 1998, is the most similar to the subject property and sets the upper value limit. It sold in December 2008 for \$1,575,983, or \$233.69 per square foot. The appraisers reported Sale Five's location is superior to the subject property and that it is typical for properties to sell at a higher price per square foot as the location nears the capital city of Des Moines. The following chart summarizes the sale information.

<b>Location</b>	<b>Year Built</b>	<b>Building SF</b>	<b>Site SF</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>Price/PSF</b>
Subject	1999	4288 <sup>1</sup>	27,007 <sup>2</sup>			
Vinton	1992	2140	9828	01/05/09	\$ 204,000	\$ 95.33
Robins	1998	2781	43,686	07/16/10	\$ 295,500	\$ 106.26
Marion	2007	6469	43,560	05/17/10	\$ 996,500	\$ 154.04
Iowa City	1993	1938	14,212	09/27/10	\$ 335,000	\$ 172.86
Grinnell	1998	6744	37,125	12/15/08	\$1,575,983	\$ 233.69

Comments indicate location, basement size and finish, quality, age, and location were considered by the appraisers as adjustment factors for the comparable properties; however, no adjustment grid was provided to show the actual adjustments. The appraisers bracketed the sales by using sale one at \$95.33 per square foot to set the lower value limit and sale five at \$233.69 per square foot to set the upper value limits. It is clear they did not use the unadjusted average or median, but the adjustments were not quantified. The appraisers concluded a value of \$160.00 per square foot and valued the subject property at \$685,000 based on the sales data. We find the lack of an explanation of

<sup>1</sup> The property record card shows 4437 square foot of building.

<sup>2</sup> The property record card indicates a 26,642 square feet site.

the actual adjustments made and the reconciliation limits the credibility of the appraisal since we are unable to review and judge the reasonableness of the adjustments and reconciliation.

In the income approach to value, Davis and Huber determined the subject property to have an estimated value of \$615,000 using market lease data to develop stabilized income estimates, and the direct capitalization summary method. They estimated the potential income, adjusted for vacancy loss, and estimated the expenses to arrive at a net operating income (NOI) of \$61,588. They determined a capitalization rate of 10% using an overall rate from the market. The appraisers then divided the NOI by the capitalization rate of 10% for a value of \$615,865, rounded to \$615,000.

The appraisers gave 60% weight to the sales approach and 40% weight to the income approach in the final conclusion. Davis and Huber determined a final value of \$650,000.

The Board of Review certified record included property record cards for four bank/credit union sales. It is unclear who provided this information. No narrative or summary explanation was provided with the cards. The Luana property was sold on contract and included multiple parcels for a single consideration; therefore we place little reliance on it. The Luana property appears to be the only one with a basement like the subject property. We note that all unadjusted sale prices per square foot of the identified properties were below the Davis/Huber appraisal value of \$160 per square foot and the Board of Review's value of \$181.09 per square foot (\$187.38 using the appraisers' square footage figure). The following summarizes the information on the cards.

<b>Location</b>	<b>Year Built</b>	<b>Building SF</b>	<b>Site Acres</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>Unadjusted Price/PSF</b>
Subject	1999	4437	0.612			
Grundy Center	2003	3330	0.253	08/13/10	\$ 490,000	\$ 147.15
Martinsdale	1995	1517	0.298	04/08/10	\$ 220,000	\$ 145.02
Luana	2006	7932	2.580	10/15/09	\$ 860,000	\$ 108.42
Ames	1918	4209	0.555	03/01/10	\$ 550,000	\$ 130.67

The appraisal, which developed two approaches to value, and the comparable sales listed above, collaborate to indicate the subject property is over-assessed. Reviewing the record as a whole,

we find the preponderance of the evidence supports CSB's claim that the property is assessed for more than authorized by law.

### *Conclusions of Law*

The Appeal Board based its decision on the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

Property is to be valued at one hundred percent of its actual value. § 441.21(1)(a). Actual value is the property's fair and reasonable market value. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sales prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.*

In an appeal that alleges the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(b), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277

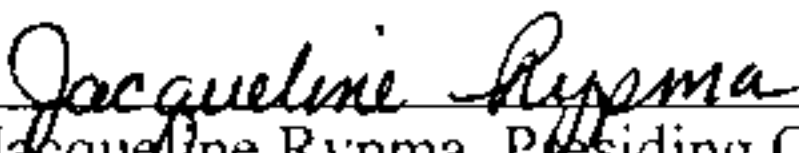
(Iowa 1995). Findings are “based upon the kind of evidence on which reasonably prudent persons are accustomed to rely for the conduct of their serious affairs.” Iowa Code § 17A.12.

Viewing the record as a whole, we determine that the preponderance of the evidence supports CSB’s claim of over-assessment as of January 1, 2011. Because the adjustments made by Davis and Huber were not shown or clearly explained, the absence of evidence of the specific adjustments makes an informed evaluation of the credibility of the comparable-sales valuation difficult. *Soifer v. Floyd County Board of Review*, 759 N.W.2d 775 789 (Iowa 2009). Nonetheless, they also completed a valuation by the income approach and weighed the two approaches to value, and we find their appraisal provides a reliable indication of the property’s fair market value. Therefore, we modify the CSB property assessment as determined by the Board of Review. The Appeal Board determines that the property’s assessment as of January 1, 2011, is \$650,000 representing \$76,450 in land value and \$573,550 in improvement value.

THE APPEAL BOARD ORDERS that the January 1, 2011, assessment of CSB’s property located in West Branch, Iowa, as determined by the Cedar County Board of Review, is modified as set forth herein.

The Secretary of the State of Iowa Property Assessment Appeal Board shall mail a copy of this Order to the Cedar County Auditor and all tax records, assessment books and other records pertaining to the assessment referenced herein on the subject parcel shall be corrected accordingly.

Dated this 3rd day of May, 2012.

  
Jacqueline Rypma, Presiding Officer

  
Richard Stradley, Board Chair

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Certificate of Service	
The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on <u>5/3</u> , 201 <u>2</u>	
By:	<input checked="" type="checkbox"/> U.S. Mail <input type="checkbox"/> FAX
	<input type="checkbox"/> Hand Delivered <input type="checkbox"/> Overnight Courier
	<input type="checkbox"/> Certified Mail <input type="checkbox"/> Other
Signature	